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IN THE

Supreme Court of the United States

October Term, 1968

No. 209

MARCAN PRODUCTS CORPORATION, MARSHALL CONTROL PRODUCTS CORP., HUGH A. MILLS, RONALD R. MARSHALL, and DAVID E. GOLDING,
Petitioners,

v.

THE A. H. EMERY COMPANY,
Respondent.

PETITIONERS' REPLY BRIEF

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Respondent argues that the petition should not be granted because, first, no facts were found to support the unclean hands defense; and, second, respondent's wrongful conduct in bringing and maintaining the suit was not wilful or intentional.

Respondent's arguments are flatly contradicted by the decisions of the courts below.

First, the Court of Appeals held that the facts were such that the trial court could have found unclean hands on the record. At App. 9a:

> "On this aspect of the case we decide that, while the record would have supported the trial judge if he

> had reached a contrary conclusion [*i.e.*, sustaining the defense of unclean hands], it does not show that he abused his equitable discretion in reaching the one which he did."

The trial court further held that the magnitude of respondent's guilty knowledge and acts were such as to entitle petitioners to an independent action for equitable redress.

Respondent's statement, therefore, that there are no facts to support unclean hands is baseless ruling.

Second, in regard to respondent's wilful and intentional conduct, the wrongs fall into three categories: the acquisition of the patent, the institution of the lawsuit, and the maintenance of the lawsuit.

Respondent applied for and acquired its patent, *knowing* of its own invalidating prior public uses and the trial court so held. At App. 50a.

> "In any event, regardless of the Pratt & Whitney transactions, the sales to Hooker concededly were straight commercial sales which occurred more than one year prior to the filing of the patent application. Tate's [Respondent's officer] statement in his two oaths negating such sales was therefore untrue."

The trial court excused respondent, however, on the ground that he probably did not "read" either of the two oaths.

The Court of Appeals was less charitable, and said at App. 10a:

> "* * * In cases where the grant of a patent monopoly is involved a court may properly consider 'both public and private standards of equity' in relation to a claim of unclean hands. Id. at 816. It would therefore be warranted in not condoning behavior as *reckless as that demonstrated on this record* by an inventor who is invested with a public trust and whose oath, which is by statute an essential part of every patent application, is heavily relied upon by the authorities in the Patent Office." [Emphasis added.]

The wrongful acquisition of the patent, however, is only the start of the defense of unclean hands.

Respondent instituted this patent suit with knowledge that petitioners' device did not infringe the patent. The trial court found at App. 51a:

> "The patent issued on November 15, 1960. According to Tate [the inventor] it covers only a *low ball cell.* Before this action began in January 1962, various officers of plaintiff, including Tate, examined a Marcan cell. They observed that it was of the *high ball* construction. Tate *did not think* that it infringed his patent." [Emphasis added.]

This suit was nevertheless instituted. Thus, the wrongfully acquired patent was now asserted against a product known to be non-infringing.

After 2 years, but 3 years prior to trial, respondent finally admitted, when challenged, that its own files con-

tained the evidence of the invalidating prior public use. (App. 52a.)

In its brief, respondent argues that when it admitted knowledge of its own invalidating prior public uses, it made an effort to withdraw the patent from the suit. This statement is false and was flatly contradicted by the trial court. At App. 52a:

> "Thereafter plaintiff made some ineffectual efforts to obtain defendant's consent to a withdrawal of the patent from this action. Defendants had asserted a counterclaim seeking a declaration of invalidity of the patent. Consequently, they were unwilling to consent to the withdrawal unless plaintiff would concede that the patent was invalid. *Plaintiff* [Respondent] *was not wiling to make this concession."* [Emphasis added.]

At the conclusion of the trial, the following colloquy occurred between the trial judge and respondent's attorney:

> "The Court: I don't want to argue with you [Respondent's attorney], but I think it is important. I have a pretty clear recollection of what happened in my chambers a few days before this case went to trial and my recollection, in substance, is this: That you said you would like to withdraw the patent case, the patent claim, that Mr. Calimafde [Petitioners' attorney] said, 'Will you withdraw it with prejudice?' or 'Will you withdraw it and concede that the patent is invalid?' and that you then said no, you wouldn't do that and that Mr. Calimafde said, 'Under those circumstances, I object to the withdrawal of the patent claim because I have a counterclaim here and I am

entitled to an adjudication of the validity of the patent,' and I sustained his position."

It is clear, therefore, from the facts as found by the courts below, that respondent wilfully and intentionally maintained this suit for 3 years after admitting the patent's invalidity.

Respondent exploited the patent action to the maximum extent by continuously threatening petitioners' customers with patent infringement litigation; indeed, the threats continued even through the time of trial.

Under the rule of the *Walker Process* case, 382 U. S. 172, 177 (1965), this Court held that a patentee who "maintains and enforces the patent with knowledge of the patent's infirmity" subjects himself to liability under the antitrust laws. Surely, such a patent misuse must at least constitute unclean hands.

Further, under the rule of *United Mine Workers of America* v. *Gibbs*, 383 U. S. 715, 725, the trial court should have dismissed the action for lack of jurisdiction (as suggested by the Court of Appeals) when it learned that the patent cause of action was spurious.

What level of proof of misrepresentations, lack of candor and other acts of unclean hands is required to establish the defense of unclean hands? This Court in the *Precision* and *Keystone* cases (cited in our Petition) explained that intentional and wilful fraud is not essential. In the *Keystone* case, 290 U. S. 240, 245, the Court defined

the level of misconduct sufficient to establish unclean hands as a violation of good conscience,

> "* * * or good faith, or other equitable principle * * *. The equitable powers of this court can never be exerted in behalf of one who has acted fraudulently or who *by deceit or any unfair means* has gained an advantage." [Emphasis added.]

For the reasons mentioned in the Petition, we submit the Petition should be granted.

Respectfully submitted,

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